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LIMITED OFFICIAL USE SECTION 1 OF 3 OECD PARIS 10267

E. O. 11652: N/ A

TAGS: EFIN, OECD

SUBJECT: 97 TH SESSION, COMMITTEE FOR INVISIBLES TRANSACTIONS

REF: A. TIR/ A(73)2 AGENDA

B. C(73)52

C. STATE 50862

D. DAF/ INV/72/66

E. STATE 61703

1. SUMMARY. COMMITTEE FOR INVISIBLES TRANSACTIONS (IC)

MET APRIL 5-6, 1973. MAJOR ITEMS (REF A) TAKEN UP WERE:

(1) APPROVAL OF NEW ZEALAND' S PROPOSED RESERVATIONS TO

OECD CODES, (2) DISCUSSION OF ARTICLE 7(B) DEROGATIONS

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TO CAPITAL MOVEMENTS CODE (CMC) BY AUSTRIA, GERMANY AND

JAPAN, (3) AND NOTIFICATION BY BELGIUM, FRANCE, SPAIN

AND SWEDEN OF CHANGES IN REGULATIONS AFFECTING CAPITAL FLOWS. IC HEARD FROM SECRETARIAT AND CHAIRMAN, RESPECTIVELY, ABOUT XCSS AND C-20 DEVELOPMENTS RELATED TO IC'S WORK. COMMITTEE APPROVED SMALL CHANGE IN RATIONALE OF ITS REPORT CONCERNING BELATED PORTUGUESE RESERVATIONS TO NEW FILMS ANNEX. ALTERNATES WERE CHARGED WITH PREPARATORY WORK ON AGENDA ITEM ELEVEN. AGENDA ITEMS 8 AND 9 NOT TAKEN UP FOR LACK OF TIME. IC WILL MEET NEXT MAY 14-15. ACTION REQUESTED: DEPT'S VIEWS ON AUSTRIAN, GERMAN AND JAPANESE 7(B) DEROGATIONS DISCUSSED PARAS 6-8 BELOW. END SUMMARY.

2. PORTUGUESE FILMS RESERVATIONS. AS INITIALLY DRAFTED, PARA 6 OF REF (B) IMPLIED THAT COMMITTEE WOULD GRANT BELATED RESERVATION TO PORTUGAL ON ITEM A/2 OF INVISIBLES CODE AND PARAS 4 AND 5 OF FILMS ANNEX TO CODE BOTH BECAUSE OF A MISUNDERSTANDING OF APPLICATION OF CODE TO CERTAIN PORTUGUESE FILM RESTRICTIONS WHICH ALREADY EXISTED AT TIME PORTUGAL JOINED CODE, AND BECAUSE PORTUGUESE RESTRICTIONS WERE BASED ON CULTURAL RATHER THAN COMMERCIAL REASONS. SECOND RATIONALE SEEMED UNACCEPTABLE TO U. S. EXPERT AND U. S. FILMS ADVISER AS BASIS FOR GRANTING OF BELATED RESERVATION, AND AT OUR SUGGESTION REF (B) WAS REVISED TO INDICATE THAT COMMITTEE WOULD APPROVE BELATED RESERVATION ONLY BECAUSE RESTRICTIONS IN QUESTION EXISTED WELL BEFORE CODE. CULTURAL MATTER WAS LEFT AS STATEMENT BY PORTUGUESE AUTHORITIES AND ONE WHICH DID NOT INFLUENCE THE COMMITTEE IN ITS DECISION. NOTE: PORTUGUESE RESERVATIONS SUBSEQUENTLY APPROVED BY COUNCIL APRIL 10 (REF C).

3. XCSS, C-20 AND CAPITAL MOVEMENTS CODE.

(A) SECRETARIAT REPORTED ON MANDATE GIVEN BY XCSS TO SECGEN TO PREPARE FURTHER MATERIALS ON DIRECT INVESTMENT AND MULTINATIONAL CORPORATIONS FOR CONSIDERATION AT NEXT MEETING OF XCSS. SECRETARIAT INDICATED SECGEN WOULD PROBABLY APPROACH VARIOUS COMMITTEES AND GROUPS WITHIN ORGANIZATION WITH REGARD TO THEIR VIEWS ON COORDINATION OF WORK WITHIN OECD ON QUESTIONS AFFECTING MULTINATIONAL LIMITED OFFICIAL USE

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INVESTMENT, AND THAT AT SOME POINT SECGEN WOULD ALSO REQUEST SUGGESTIONS OR ASSISTANCE FROM DELEGATIONS CONCERNING MATERIALS BEING PREPARED FOR NEXT XCSS MEETING. IT WAS DECIDED THAT INVISIBLES COMMITTEE SHOULD TAKE NO INITIATIVE UNTIL ITS CHAIRMAN IS ASKED FOR VIEWS CONCERNING COORDINATION ON THIS MATTER WITHIN OECD. SOME IC EXPERTS THOUGHT IT MIGHT BE FRUITFUL FOR COMMITTEE TO DISCUSS QUESTION AT A FUTURE MEETING.

(B) COMMITTEE CHAIRMAN WAH, A MEMBER OF C-20 DEPUTIES, DESCRIBED SOME OF CURRENT AND FUTURE WORK EXPECTED BY C-20 AND TWO OF ITS WORKING PARTIES REGARDING DISRUPTIVE CAPITAL FLOWS, EURODOLLAR MARKET, AND OBJECTIVE INDICATORS. HE NOTED THAT IN NEAR FUTURE THERE WILL BE MEETINGS BY A WORKING PARTY UNDER ROBERT SOLOMON ON QUESTION OF OBJECTIVE INDICATORS AND BY A WORKING PARTY UNDER JEREMY MORSE ON QUESTION OF DISRUPTIVE CAPITAL MOVEMENTS. C-20 WILL ALSO INVESTIGATE QUESTIONS CONCERNING THE EUROMARKETS, EXTENT TO WHICH EUROBANKS GENERATE LIQUIDITY, AND WHETHER AND HOW SUCH INCREASES IN LIQUIDITY SHOULD BE LIMITED. HE NOTED C-20 HAS ALSO ALREADY MADE REFERENCE TO OECD CODE OF LIBERALIZATION OF CAPITAL MOVEMENTS, AND DISCUSSED BRIEFLY DIFFICULTY OF MAKING DISTINCTIONS BETWEEN GOOD AND BAD CAPITAL MOVEMENTS. HE THOUGHT THE COMMITTEE OF 20 WOULD PROBABLY PROPOSE THAT A SYSTEM OF POSSIBLE RESTRICTIVE MEASURES ON CAPITAL OPERATIONS BE DEVELOPED FOR USE DURING DISRUPTIVE PERIODS BUT THAT THERE WOULD BE NO LEGAL OBLIGATION BY COUNTRIES TO UTILIZE THESE MEASURES. IN BRIEF DISCUSSION, VARIOUS IC EXPERTS NOTED DIFFICULT TASK OF DISTINGUISHING BETWEEN TYPES OF CAPITAL MOVEMENTS THAT SHOULD OR SHOULD NOT BE PERMITTED IN NORMAL TIMES OR IN PERIODS OF CRISIS, AND EXTENT TO WHICH ANY METHOD TO DO SO WOULD LEAVE LARGE LEAWAY TO BANKS OR OTHER ADMINISTRATIVE AUTHORITIES. GERMAN EXPERT ASKED WHETHER THERE WAS POSSIBILITY OF DEVELOPING A CAPITAL MOVEMENTS CODE UNDER THE IMF. THE CHAIRMAN SAID SUCH A CODE WAS NOT PRESENTLY BEING WORKED ON, AND THAT WITH DIFFERENCE OF VIEWS BETWEEN LARGE NUMBER OF LDCS AND MORE DEVELOPED COUNTRIES CONCERNING CAPITAL MOVEMENTS, IT WOULD BE DIFFICULT TO DO SO IN IMF CONTEXT. SOME NEW MEASURES MIGHT BE DEVELOPED WHICH WOULD BE SUPERVISED BY IMF BOARD. HOWEVER, IN HIS OPINION THERE LIMITED OFFICIAL USE

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WAS RECOGNITION OF VALUE OF OECD INVISIBLES COMMITTEE AS FORUM IN WHICH TO SURVEY AND DISCUSS CAPITAL RESTRICTIONS AMONG DEVELOPED COUNTRIES.

4. CHANGES IN COUNTRY EXCHANGE REGULATIONS. (A) BELGIUM. BELGIUM EXPERT SAID BELGIUM HAS TAKEN CERTAIN INTERNAL MEASURES TO STERILIZE THE EFFECTS OF CAPITAL INFLOWS AS FROM 1 APRIL 1973. (B) FRANCE. FRENCH EXPERT SAID OECD WAS NOTIFIED MARCH 19 OF CERTAIN NEW MEASURES TO DISCOURAGE SHORT- TERM CAPITAL INFLOWS BY NON- RESIDENTS: AN INCREASE IN RESERVE REQUIREMENTS ON FOREIGN ACCOUNTS AND PROHIBITION OF

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RENUMERATION ON DEPOSITS WITH LESS THAN 180 DAYS TO
REDEMPTION, AS WELL AS SOME OTHER RELATED MEASURES. (C) SPAIN.
SPANISH EXPERT SAID SPAIN HAD NOTIFIED ORGANIZATION OF TWO NEW
MEASURES OF LIBERALIZATION INVOLVING DIRECT INVESTMENT BY RESIDENTS
ABROAD AND PURCHASE OF FOREIGN SECURITIES BY SPANISH INVEST-
MENT COMPANIES. (D) SWEDEN. SWEDISH EXPERT NOTED NEW SWEDISH
REGULATIONS WHEREBY IF A FOREIGN- OWNED ACCOUNT EXCEEDED
A " NORMAL LEVEL," THE OWNER WOULD BE REQUESTED TO REDUCE
THE BALANCE BACK TO THAT LEVEL, OR ELSE PAY A NEGATIVE
INTEREST RATE.

5. EXAMINATION OF PROPOSED NEW ZEALAND RESERVATIONS TO
CURRENT AND CAPITAL CODES.

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(A) BACKGROUND: IN ANTICIPATION OF NEW ZEALAND' S
MEMBERSHIP IN OECD, IT IS NECESSARY FOR IC TO DETERMINE

EXTENT TO WHICH NEW ZEALAND (NZ) WILL REQUIRE RESERVATIONS TO CODES OF LIBERALIZATION OF INVISIBLES TRANSACTIONS AND CAPITAL MOVEMENTS. IC'S DETERMINATION BASED ON THOROUGH EXAMINATION OF NZ LAWS AND ADMINISTRATIVE PRACTICES BY OECD SECRETARIAT IN CONSULTATION WITH WELLINGTON OFFICIALS (REF D). NZ AUTHORITIES AT IC'S REVIEW INCLUDED NZ AMBASSADOR TO FRANCE, ACCOMPANIED BY SENIOR CENTRAL BANK OFFICIAL (MR. WILKES).

(B) CONCLUSIONS: AFTER EXAMINING EACH OF PROPOSED RESERVATIONS AND PARAS OF REF (D), AS MODIFIED BY CORRIGENDUM OF APRIL 5, 1973, IC REQUESTED SECRETARIAT PREPARE BRIEF REPORT TO COUNCIL RECOMMENDING APPROVAL OF PROPOSED NZ RESERVATIONS TO CODE WITHOUT MODIFICATION. IC'S FINAL REPORT IS EXPECTED TO BE REVIEWED BY PAYMENTS COMMITTEE APRIL 13, AND BY COUNCIL SOON THEREAFTER.

(C) HIGHLIGHTS: DISCUSSION OF OVERALL NZ BALANCE OF PAYMENTS SITUATION, HISTORY OF ITS EXCHANGE CONTROLS, AND RATIONALE BEHIND VARIOUS PROPOSED CODE RESERVATIONS (E. G., BALANCE OF PAYMENTS SITUATION, PROTECTION OF DOMESTIC SAVINGS, AND PRESERVATION OF DOMESTIC OWNERSHIP OF MAJOR SECTORS OF ECONOMY). IC NOTED THAT TRADITIONALLY NZ HAS MAINTAINED BROAD RESTRICTIONS ON OUTFLOW OF RESIDENT- OWNED CAPITAL. CONTROLS HAVE BEEN MAINTAINED DESPITE RELATIVELY RECENT IMPROVEMENT IN OVERALL BALANCE OF PAYMENTS AS WITNESSED BY CURRENT ACCOUNT TREND AND LEVEL OF RESERVES. NZ REPS SAID, HOWEVER, THAT TENTATIVE BALANCE OF PAYMENTS IMPROVEMENT DID NOT PRECLUDE EVENTUAL RETURN TO LESS STABLE POSITION, FOR EXAMPLE, IN EVENT THAT WORLD AGRICULTURAL EXPORT PRICES WERE TO DECLINE. VARIOUS IC EXPERTS NOTED APPARENT DICHOTOMY BETWEEN MAINTENANCE OF CONTROLS ON INWARD CAPITAL FLOWS AND RELIANCE UPON THOSE FLOWS FOR EFFICIENT DEVELOPMENT OF DOMESTIC ECONOMY. NZ REPS REPLIED THAT THEIR PRACTICE WITH REGARD TO INWARD FLOWS WAS GENERALLY LIBERAL. ON OTHER HAND, SOME SECTORS OF ECONOMY WERE SATURATED BY FOREIGN AND DOMESTIC INVESTORS (E. G., INSURANCE AND BANKING). FURTHERMORE, THERE WAS POLITICAL PROBLEM IN THAT NEW ZEALANDERS WERE BECOMING INCREASINGLY CONCERNED LIMITED OFFICIAL USE

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WITH DEGREE OF FOREIGN OWNERSHIP.

(D) RESERVATIONS: NZ HAS REQUESTED NINE FULL AND SEVEN LIMITED RESERVATIONS ON CAPITAL OPERATIONS COVERED BY OECD CAPITAL MOVEMENTS CODE AND FOUR FULL RESERVATIONS ON ITEMS COVERED BY INVISIBLES CODE (OF WHICH THREE DEAL WITH INSURANCE). ON MOST OF RESERVATIONS, COMMITTEE SPECIFICALLY RAISED QUESTION WHETHER IT WOULD BE POSSIBLE

TO LIMIT RESTRICTIONS FURTHER. NZ REPS INDICATED THEY HAD ALREADY DONE SO AS FAR AS POSSIBLE, AND THAT RESERVATIONS (REF D) WERE MINIMUM CONSISTENT WITH EXISTING LAW AND PRACTICE.

6. EXTENSION OF GERMAN DEROGATION (DAF/ INV/73/17 AND DAF/ INV/73/10).

(A) SITUATION: COMMITTEE HELD PRELIMINARY EXAMINATION OF GERMANY' S REQUEST TO EXTEND SCOPE OF ITS PRESENT ARTICLE 7(B) DEROGATION TO COVER RESTRICTIVE MEASURES OF FEBRUARY 2 ON INVWARD CAPITAL MOVEMENTS, INCLUDING (A) DIRECT INVESTMENT, (B) PURCHASE OF SECURITIES BY NON-RESIDENTS, (C) SALE ABROAD BY RESIDENTS OF SECURITIES, (D) FAMILY LOANS, ETC. DISCUSSION FOCUSED PRIMARILY ON WHETHER GERMANY WAS JUSTIFIED IN RESTRICTING PURCHASE OF SECURITIES BY NON- RESIDENTS. IT NOTED INCREASE OF SUCH PURCHASES DURING 1972 AND IN JANUARY, 1973 HAD NOT BEEN AT A PACE SUGGESTING NON- RESIDENTS WERE SPECULATING IN THIS MANNER ON A REVALUATION OF DEUTSCHEMARK. STEADY INCREASE OF SUCH PURCHASES PERHAPS REVEALED EXPECTATION OF UPSWING IN GERMAN ECONOMY AND OF PROFITS OF GERMAN FIRMS. SWEDISH AND FINNISH EXPERTS, HOWEVER, THOUGHT NON- RESIDENTS MIGHT BE SPECULATING ON BOTH PROFITS AND EXCHANGE RATES. MAJORITY OF IC, HOWEVER, CONCEDED THAT ALTHOUGH RESTRICTIONS ON SECURITIES MIGHT HAVE APPEARED NECESSARY TO AUTHORITIES AT TIME OF FEBRUARY CRISIS, STATISTICS INDICATED IN RETROSPECT THAT MEASURES MIGHT HAVE BEEN OF PRECAUTIONARY NATURE.

(B) DECISION: MAJORITY OF COMMITTEE WAS RELUCTANTLY WILLING TO RECOMMEND TO COUNCIL THAT GERMAN DEROGATION BE EXTENDED AS REQUESTED, BUT QUESTIONED APPROPRIATENESS OF SOME OF MEASURES TAKEN, AND ASKED GERMAN AUTHORITIES LIMITED OFFICIAL USE

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KEEP SITUATION UNDER ACTIVE REVIEW WITH INTENTION OF EARLY REMOVAL OF RESTRICTIONS. SECRETARIAT WAS ASKED TO PREPARE DRAFT REPORT FOR NEXT IC MEETING.

(C) ACTION REQUESTED: AFTER DISCUSSION OF SIMILAR JAPANESE CASE -- SEE BELOW -- IC OPENED UP QUESTION WHETHER TO RECOMMEND COUNCIL ACCEPT EXTENSION OF GERMAN DEROGATION AS " JUSTIFIED," OR MERELY TAKE NOTE OF FACTS AND " ACCEPT" DEROGATION, THUS NUANCING DEGREE TO WHICH RESTRICTIONS CAN BE FOUND JUSTIFIED UNDER PRESENT TERMS OF CODE' S ARTICLE 7. WE THINK LATTER IS PROBABLY GOOD SOLUTION, BUT WOULD APPRECIATE DEPT.' S VIEWS.

7. AUSTRIAN 7(B) DEROGATION, (DAF/ INV(73.11).

(A) SITUATION: COMMITTEE CONCLUDED REPORT TO COUNCIL
ON AUSTRIAN DEROGATION BY FINDING THAT AUSTRIA IS JUSTI-
FIED TEMPORARILY IN INTRODUCING RESTRICTIONS ON CAPITAL
INFLOWS, BUT SHOULD CONSIDER RELAXING REMAINING RESTRICTIONS
ON CAPITAL OUTFLOWS. SECRETARIAT STATISTICS IN DAF/ INV/73.11
SHOWED THAT IN 1972 NON- RESIDENTS' PURCHASES OF DOMESTIC
BONDS AND NON- RESIDENT' LONG- TERM CREDITS TO RESIDENT
NON- BANKS WERE NOT INSIGNIFICANT, ALTHOUGH THERE WAS

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LITTLE PURCHASE BY NON- RESIDENTS OF AUSTRIAN SHARES AND
REAL ESTATE. U. S. EXPERTS POINTED TO RECENT DOMESTIC
LIQUIDITY SHORTAGE CAUSED BY RESTRICTIONS, AN AUSTRIAN
EXPERT AGREED RESTRICTIONS CREATED PROBLEMS IN THIS AREA.
HE PREDICTED RESTRICTIONS ON NON- RESIDENT PURCHASE OF
LONG- TERM BONDS (E. G., OF AUSTRIAN POWER COMPANIES) WILL
HAVE TO BE RELAXED. BOTH FRENCH CHAIRMAN AND FINNISH
EXPERT SUPPORTED U. S. SUGGESTION THAT AUSTRIANS BE URGED
TO RELAX CONTROLS ON OUTWARD CAPITAL FLOWS.

(B) ACTION REQUESTED. MISSION REQUESTS PERMISSION TO GO ALONG WITH AUSTRIAN REQUEST TO DEROGATE WHEN MATTER COMES BEFORE PAYMENTS COMMITTEE AND COUNCIL. AS IN GERMAN AND JAPANESE CASES, QUESTION STILL OPEN WHETHER LIMITED OFFICIAL USE

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COUNCIL SHOULD FIND RESTRICTIONS "JUSTIFIED" UNDER CODE, OR MERELY TAKE NOTE OF THEM AND "ACCEPT" DEROGATION. WE TEND TO THINK THAT ALTHOUGH AUSTRIA DEROGATION RELATIVELY MORE JUSTIFIED THAN GERMAN OR JAPANESE 7(B) DEROGATIONS, ARGUMENT COULD BE MADE: (1) ARTICLE 7 NOT REALLY DRAFTED TO COVER PROBLEM OF CAPITAL RESTRICTIONS BY SURPLUS COUNTRY. (2) THUS, TRADITIONAL FORMULA BY WHICH DEROGATIONS ARE DESCRIBED IN COUNCIL MINUTES AS "JUSTIFIED" NO LONGER APPLICABLE OR NECESSARY. (3) AUSTRIAN CASE NO DIFFERENT IN THIS RESPECT FROM GERMAN AND JAPANESE CASES (OR FOR THAT MATTER, SEISS CASE WHICH ALREADY DECIDED BY COUNCIL WITH TRADITIONAL FORMULA). HOWEVER, MAJORITY OF IC FEELS THAT AUSTRIAN CASE IS RELATIVELY MORE JUSTIFIED THAN OTHER TWO AND SHOULD MERIT TREATMENT ACCORDINGLY. PROBLEM COMPLICATED PROCEDURALLY FOR IC BY FACT THAT IT DECIDED AUSTRIAN CASE "JUSTIFIED" BEFORE TAKING UP JAPANESE DEROGATION, WHICH THEN REOPENED AUSTRIAN CASE EX POST FACTO (TO EMBARRASSMENT OF AUSTRIAN EXPERT). LANGUAGE OF COUNCIL DRAFT DECISION SUGGESTED BY IC WILL THUS PROBABLY READ: "JUSTIFIED". WE MAY COMMENT ON THIS IN PAYMENTS COMMITTEE, IF WE LIKE. FURTHER INSTRUCTIONS REQUESTED ASAP FOR OUR GUIDANCE IN PAYMENTS COMMITTEE AND COUNCIL.

8. JAPANESE 7(B) DEROGATION, DAF/INV/73.12.

(A) SITUATION: JAPANESE EXPERT WAS DISTURBED BY PHRASING OF DRAFT COUNCIL DECISION IN PARA 1, DAF/INV/73.12, WHICH IMPLIES JAPANESE RESTRICTIONS SINCE OCTOBER 1972 ON PURCHASE BY NON-RESIDENTS OF DOMESTIC SECURITIES ARE NOT TOTALLY JUSTIFIED UNDER TERMS CAPITAL MOVEMENTS CODE (SINCE INFLOW OF CAPITAL THROUGH THIS CHANNEL DID NOT REALLY CREATE "SERIOUS" DISTURBANCE.) SEVERAL EXPERTS RECOGNIZED SIMILARITY HERE WITH GERMAN DEROGATION (AND LATER WITH AUSTRIAN CASE), AND SUGGESTED PERHAPS WAY TO REGULARIZE SITUATION WOULD BE TO SUGGEST THAT COUNCIL MERELY "ACCEPT" 7(B) DEROGATIONS RATHER THAN DESCRIBE THEM AS "JUSTIFIED," LATTER BEING NORMAL TERMINOLOGY IN DEROGATION CASES. U. S. EXPERT AGREED WITH VIEW THAT SPECIAL CIRCUMSTANCES SURROUNDING RECENT DEROGATIONS BY SURPLUS COUNTRIES MIGHT MERIT APPLICATION LANGUAGE DIFFERENT FROM THAT TRADITIONALLY USED, BUT CAUTIONED LIMITED OFFICIAL USE

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THAT COMMITTEE WOULD NOT WANT TO TAKE DECISION ON THIS MATTER WHICH MIGHT JEOPARDIZE SUCCESS OF GOJ' S LIBERALIZATION PROGRAM FOR CAPITAL OUTFLOWS. IC DEBATED WHETHER TO DESCRIBE AUSTRIAN, GERMAN AND JAPANESE DEROGATIONS AS " ACCEPTED" RATHER THA " JUSTIFIED," WHETHER TO DESCRIBE ONLY GERMAN AND JAPANESE CASES IN THIS MANNER, OR WHETHER TO STICK WITH TRADITIONAL TERMINOLOGY IN ALL THREE CASES; NAMELY, THAT ALL THREE DEROGATIONS BE DESCRIBED IN COUNCIL MINUTES AS " JUSTIFIED."

(B) DECISION: COMMITTEE ASKED SECRETARIAT TO AMEND DRAFT REPORT TO COUNCIL IN LIGHT OF MORE RECENT FACTUAL INFORMATION PRESENTED BY JAPANESE EXPERT, AND AGREED TO RE- EXAMINE DRAFT REPORT AT NEXT MEETING. QUESTIONS TO BE RESOLVED, OR AT LEAST RE- EXAMINED, ARE: (1) DOES ARTICLE 13 OR OTHER RELEVANT PARTS OF CODE OBLIGE ORGANIZATION TO MAKE CLEAR- CUT DECISION WHETHER DEROGATION JUSTIFIED OR NOT JUSTIFIED? (2) DOES ORGANIZATION HAVE RIGHT INSTEAD TO TAKE NOTE OF FACTS (IN VIEW OF PRESENT EXCEPTIONAL CIRCUMSTANCES) AND ACCEPT DEROGATION REQUEST, WITHOUT EXPLICITLY STATING THAT RESTRICTIVE MEASURES COVERED BY DEROGATION ARE JUSTIFIED IN CODE TERMS? SOME IC EXPERTS FEEL THAT PRESENT CIRCUMSTANCES, WHERE MANY SURPLUS COUNTRIES AARE DEROGATING UNDER CODE NOT INITIALLY DRAFTED TO COVER SITUATION, CALL FOR MORE NUANCED COUNCIL DECISIONS THAN IN PAST. (NOTE: WE ARE OF THIS LATTER OPINION, BUT WOULD APPRECIATE DEPT' S VIEWS.)

9. ALTERNATES' MEETINGS. IC HAD BRIEF EXCHANGE ON WHETHER TO CONTINUE MEETINGS BY ALTERNATES TO PREPARE COMMITTEE' S WORK IN SELECTED AREAS. PRINCIPAL PROBLEM EMERGED THAT MANY ALTERNATES, WHO ARE NOT MEMBERS OF PERMANENT DELEGATIONS, SIMPLY WILL NOT BE ABLE TO ATTEND ALTERNATES' MEETINGS ON REGULAR BASIS. IC FELT ALTERNATES SHOULD NOT GET INTO QUESTIONS OF PRINCIPLE RESERVED FOR DECISION BY PLENARY COMMITTEE. MOREOVER, IC FELT THAT SUGGESTION BY ALTERNATES THAT THEY MEET WITH NATIONAL INSURANCE EXPERTS TO COMPLETE REPORT ON 4 TH EXAMINATION OF INSURANCE RESERVATIONS (OECD 6827 AND OECD' S A-73) WAS PROBABLY NOT FEASIBLE. INSTEAD, IC DECIDED TO TAKE UP INSURANCE ITEM ITSELF, AND ALLOCATE TO ALTERNATES THE PRELIMINARY WORK ON 9 TH EXAMINATION OF RESERVATIONS TO

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INVISIBLES CODE OTHER THAN THOSE RELATING TO INSURANCE, FILMS AND ROAD TRANSPORT (DAF/ INV/72/60).

10. NEXT MEETING. SCHEDULED MAY 14-15. FOLLOWING
MEETING TENTATIVELY SCHEDULED JUNE 14-15.
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